

Message Text

CONFIDENTIAL

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ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /139 W
-----028562 111924Z /47

R 111225Z JUN 78

FM AMENBASSY ABU DHABI
TO SECSTATE WASHDC 1667
INFO AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY TEHRAN

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E.O. 11652: GDS

TAGS: ENRG, ENIV, IR, TC

SUBJECT: SHARJAH THREAT TO NATIONALIZE CRESCENT PETROLEUM

REF: ABU DHABI 1634

1. CRESCENT MANAGING DIRECTOR HAMID JAAFAR CALLED ON ME JUNE 11 TO REPORT THAT HE HAD MET WITH RULER OF SHARJAH, SHAIKH SULTAN, EVENING OF JUNE 7. SAID RULER WAS SOMEWHAT COOL AND COMPLAINED THAT HIS NATIONALIZATION THREAT HAD BEEN CONVEYED TO ME. AFTER JAAFAR REMINDED HIM AGAIN THAT RULER HAD AUTHORIZED JAAFAR TO TRANSMIT "OFFICIALLY" SULTAN'S REMARK THAT HE SERIOUSLY CONSIDERING NATIONALIZING CRESCENT, RULER INDICATED GREATER AWARENESS THAT HIS ORAL MESSAGES TAKEN VERY SERIOUSLY. RULER THEN SAID THAT IF CRESCENT CONTINUES TO BE INTRANSIGENT, HE WOULD HAVE NO CHOICE BUT TO TURN THE WHOLE MATTER OVER TO THE IRANIANS. HE ASKED JAAFAR TO CONVEY THIS MESSAGE TO SHAREHOLDERS.

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2. JAAFAR SAID THAT FOLLOWING DAY (JUNE 8), SHAIKH SULTAN CALLED HIM TO SAY THAT HE HAD JUST RECEIVED STRONG MESSAGE FROM IRANIANS ASKING WHAT HAD SHARJAH DONE TO IMPLEMENT NEW TAX AND ROYALTY DECISION AGAINST CRESCENT. IRANIANS WANTED AN URGENT MEETING, STATING THAT IF NO ACTION TAKEN SOON BY SHARJAH, NIOC WOULD FEEL OBLIGED TO TAKE ACTION ITSELF. SHAIKH SULTAN HAD TOLD JAAFAR HE RESPONDING TO IRANIANS BY SAYING NEGOTIATIONS WITH

COMPANY UNDERWAY AND HE WOULD ADVISE. SHAIKH SULTAN HAD ALSO ASKED JAAFAR IF, FOR A STARTER, CRESCENT COULD NOT AT LEAST REPLY TO SHARJAH FEB 25 LETTER (SETTING FORTH HIGHER TAX AND ROYALTY) BY AGREEING THAT CRESCENT ACCEPT 77/14.5 PERCENT TAX ROYALTY AS OF THAT DATE, STATE THAT IT COULD NOT AGREE TO RETROACTIVE PAYMENT BEFORE THAT DATE, BUT INDICATE IT WAS READY TO NEGOTIATE ABOUT RETROACTIVITY (SIC). RULER THROUGHT NEGOTIATIONS OVER RETROACTIVITY COULD BE STRUNG OUT FOR A COUPLE OF YEARS. JAAFAR SAID HE WOULD ALSO TRANSMIT THAT IDEA BUT THOUGHT IT WAS NON-STARTER. DELAY WOULD NOT RESOLVE PROBLEM WHILE IT WOULD MEAN SHARE-HOLDERS WOULD HAVE GIVEN UP ARBITRATION PROCEDURE THEY HAD INITIATED.

3. JAAFAR FURTHER SAID THAT ON FRIDAY, JUNE 9, HE HAD BEEN IN TOUCH WITH BORETA OF BUTTES, WHO HAD TALKED TO DEPARTMENT AND TO OTHER SHAREHOLDERS. LATTER AGAIN NERATIVE TO IDEA OF ACCEPTING SHAIKH SULTAN'S PROPOSAL TO HAVE APPLICATION OF 77/14.5 PERCENT TAX AND ROYALTY BEGIN JULY 1, 1977. SAID DEPARTMENT HAD SUGGESTED IDEA OF HAVING INDEPENDENT CONSULTANT LOOK AT PROBLEM BECAUSE "IT WAS COMMERCIAL" RATHER THAN HAVE COMPANIES PURSUE ARBITRATION ROUTE. JAAFAR BELIEVED SUGGESTION WOULD NOT BE ACCEPTABLE TO RULER OF SHARJAH BECAUSE WOULD REQUIRE NIOC APPROVAL WHICH JAAFAR BELIEVES WOULD NOT BE FORTHCOMING. IN ANY EVENT, BORETA IS SCHEDULED TO ARRIVE SHARJAH EVENING JUNE 12 TO DISCUSS ISSUES BEFORE SULTAN LEAVES FOR PLANNED VISIT TO BAGHDAD.

4. COMMENT: WOULD BE HELPFUL TO KNOW WHAT CONVERSATIONS DEPART-
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MENT OFFICERS HAVE HAD WITH CRESCENT. WOULD ALSO BE HELPFUL TO KNOW IF EMBASSY TEHRAN WILL CONFINE ITS APPROACH TO GOI TO MIDDLE LEVEL TYPES IN FOREIGN MINISTRY SINCE WE UNDERSTAND DICISION-MAKING ON ISSUES RELATING TO CRESCENT MAY REALLY LIE WITH AMUZEGAR OR THE SHAH.

DICKMAN

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NNN

Message Attributes

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